



ADVISOR



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SERVING OVER 315,000 MEMBERS

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Education

By Bob Herbert, *New York Times*

It's an article of faith that the key to success in real estate is location, location, location.

For young black boys looking ahead to a difficult walk in life, the mantra should be education, education, education.

We've watched for decades – watched in horror, actually – as the lives of so many young blacks, men and boys especially, have been consumed by drugs, crime, poverty, ignorance, racial prejudice, misguided social pressures, and so on.

At the same time, millions of blacks have thrived, building strong families and successful careers at rates previously unseen. By far, the most important difference between these two very large groups has been educational attainment.

If anything, the role that education plays in the life prospects of black Americans is even more dramatic than in the population as a whole. It's the closest thing to a magic potion for black people that I can think of. For boys and men, it is very often the antidote to prison or an early grave.

A new report from the Center for Labor Market Studies at Northeastern University in Boston tells us that young adults in general have been struggling in the labor market. Many have been left behind by the modest economic recovery of the past few years, especially those with limited education credentials.

The report, which focuses on black males, emphasizes the importance of education in overcoming this tough employment environment:

'For males in each of the three race-ethnic groups (blacks, Hispanics and whites), employment rates in 2005 increased steadily and strongly with their education attainment. This was especially true for black males, for whom employment rates rose from a low of 33 percent among high school dropouts to 57 percent among high school graduates, and to a high of 86 percent among four year college graduates.

continued on page three

Problems & Revenue

By David G. Bronner

Unless Alabama is able to produce serious, additional revenue sources and meet its past obligations, it will be extremely difficult for Alabama to continue the almost unbelievable progress it has made over the last 15 years. Currently, Alabama's tax structure is closely tied to the economy. If the economy slows, so do state revenues. Unlike most states, Alabama does not rely on property taxes as a traditional method of funding state government.

When Alabama and every other state that funds health care benefits were told a few years ago they needed to fund their health insurance programs like their pension programs, it was shocking news. Instead of a pay-as-you-go basis for health care benefits, Alabama must report an unfunded liability of approximately \$17 to \$20 billion.

As I have said in the past, to make progress against this liability the state needs a new source of revenue dedicated to this liability. Members also need to contribute more, while new benefits must be limited. A recent AEA survey asked its members if they would be willing to contribute more – most said no. A small percentage responded that they would contribute \$10 a month for one year, which in reality would not help much because the current state allocation is \$775 per month.

The insert below reveals the growth in monthly retirement payroll and number of retirees from September 1987 to September 2007. As expected, most retirees strongly feel they deserve to have their Cost-of-Living Adjustments (COLAs) continued. The problem is that each one is vastly more expensive than in years past because of the growth in retirees. Just as the state needs a large influx of new money for health insurance, Alabama would need another new stream of revenue to pay for new COLAs.

While these two problems alone are big enough to start a tax-payer rebellion, the state's General Fund, which includes Medicaid, Public Safety, Corrections, Public Health, etc., is also in dire shape.

Furthermore, our highways have fallen from some of the best in the country to needing millions in maintenance, and because of our growth there is a need for new roads.

I believe that when the State Legislature meets in a couple of months, it will be a difficult session. Due to the size of these problems, I strongly urge everyone to think about and discuss ways of solving these issues. This way Alabama can continue the great progress it has made over the last 15 years.

Why Proper Funding is Critical

RSA Monthly Retirement Payroll

		Retirees
September 1987	\$ 22.7 million	37,641
September 1997	\$ 68.7 million	62,744
September 2007	\$159.3 million	98,063

TOP 10 TRAPS FOR INVESTORS

ALABAMA SECURITIES COMMISSION

Affinity Fraud. Con artists are increasingly targeting religious, ethnic, cultural and professional groups. Some may be members of the group or pretend to be members in order to gain trust. Con artists often recruit a respected member of a community or religious congregation to promote their schemes by convincing them that a fraudulent investment is legitimate. In many cases, even these leaders become victims of what turns out to be a Ponzi scheme. *Remember: Investigate before you invest – no matter who is selling.*

Foreign Exchange Trading. Foreign exchange (forex) trading can be legitimate for governments and businesses concerned about fluctuations in international currencies, and it can even be appropriate for some individual investors. But the average investor should be wary when it comes to these complex markets. Forex scams attract customers with sophisticated-sounding offers placed in newspaper advertisements, radio promotions, or on Internet sites. *Remember: If you don't understand an investment, don't invest.*

Internet Fraud. Scammers continue to take advantage of technology to lure investors into "pump-and-dump" stock schemes. Be wary of investments being pitched through unsolicited e-mails, instant messages, and phony websites. *Remember: The internet can be a con artist's dream – easy access to you and your money, with no "return address" if the deal goes sour.*

Investment Seminars. Promoters of unsuitable investments are increasingly seeking potential investors, particularly seniors, by offering seminars, many of them promising a free meal along with "higher returns and little or no risk." Unfortunately, in many of the cases that securities regulators see, it's just the opposite: high risk and no returns, just disastrous losses. *Remember: There's no such thing as a free lunch.*

Oil and Gas Scams. Rising oil and natural gas prices have made a variety of traditional and alternative energy projects attractive to investors. Most of

these investments are highly risky and not appropriate for smaller investors. *Remember: Con artists tend to follow the headlines.*

Prime Bank Schemes. Often promising high-yield, tax-free returns, promoters of these schemes offer to let the "little guy" in on what they claim are financial instruments from elite overseas banks usually offered only to the world's wealthiest investors. Prime banks do not exist and the scam artists have no intention of creating a profit for anyone but themselves. *Remember: Often the most sophisticated sounding investments are just false promises in fancy garb.*

Private Securities Offerings. Con artists are turning increasingly to private securities offerings under Rule 506 Regulation D of the Securities Act of 1933 to attract investors without having to go through the full registration process. Although sometimes legitimate, these offerings are often associated with fraud. *Remember: Especially with lightly regulated investment offerings, it pays to consult a trusted financial adviser.*

Real Estate Investment Contracts. Despite the recent decline in property values, investments in real estate long have been viewed as a "sure thing," one with little downside risk and the potential for substantial returns. Some real estate investments are securities subject to full regulation under the state and federal securities laws, including registration requirements and antifraud rules. *Remember: Just because an investment involves real estate – or pay phones or worm farms – it still may be a security, so check with your state securities regulator.*

Unlicensed Individuals & Unregistered Products. Anyone selling securities or providing investment advice about buying or selling securities must be appropriately licensed. Anyone engaging in these activities without a valid license to do so should be a red alert for investors. Con artists also bypass stringent state registration requirements to pitch viatical settlements, pay telephone and ATM leasing contracts, and other

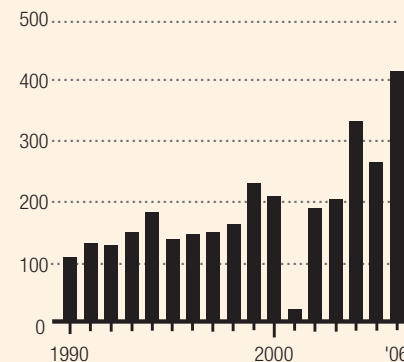
investment contracts with the promise of "limited or no risk" and high returns. *Remember: Carefully check out anyone offering to help you buy or sell securities or providing investment advice.*

Unsuitable Sales. What might be a suitable investment for one investor might not be right for another. Securities professionals must know their customers' financial situation and refrain from recommending investments that they have reason to believe are unsuitable. For example, variable and equity indexed annuities are often unsuitable for senior citizens because those products are generally long-term investments that limit access to invested funds. But sales agents stand to earn high commissions on these investment products so they don't always adhere to the suitability standards – with dire consequences for seniors. *Remember: Make sure your investments match up with your age, your need for access to money, and your risk tolerance.*

Director Borg strongly advises investors to contact their state or provincial securities regulator with any questions about an investment product, broker or adviser, before making an investment. "The best time to call us is before you part with your hard earned money," Borg said. "It only takes one bad and usually uninformed decision to wipe out your savings."

Bumper Crop

Harvestable acres of opium poppy grown in Afghanistan; in thousands



Source: United Nations

continued from page one

The fact that only one of every three young black male high school dropouts was able to obtain any type of job during an average month in 2005 should be viewed as particularly distressing, since many of these young men will end up being involved in criminal activities during their late teens and early 20s and then bear the severe economic consequences for convictions and incarcerations over the remainder of their working lives.'

There is no way, in my opinion, for blacks to focus too much or too obsessively on education. It's the fuel that powers not just the race for success but the quest for a happy life. It represents the flip side of failure....

For anyone deluded enough to question whether education is the ticket to a better life for black boys and men, consider that a black male who drops out of high school is 60 times more likely to find himself in prison than one with a bachelor's degree.

Black males who graduate from a four-year college will make, over the course of a lifetime, more than twice the mean earnings of a black high school graduate, which is a difference of more than a million dollars.

According to the study, 'Black males with college degrees and strong literacy/math skills also are far more likely to marry and live with their children and pay substantially more in taxes to state and national government than they receive in cash and in-kind benefits.'

This is not a close-call issue. It is becoming very hard for anyone to succeed in this society without a college education. To leave school without even a high school education, as to many males – and especially black males – are doing, is extremely self-destructive.

The effort to bolster the educational background of black men has to begin very early. It's extremely difficult to turn a high school dropout into a college graduate. This effort can succeed on a large scale only if there is a cultural change in the black community – a powerful change that acknowledges as the 21st century unfolds that there is no more important life tool for black children than education, education, education."

TOP BUSINESS HOTELS

Travel & Leisure magazine recently released its annual list of top business hotels as rated by their readers, specifically on business-minded services.

The only Alabama hotel to make the list was the Renaissance Ross Bridge Golf Resort & Spa, ahead of the famous Peabody Memphis Hotel and Nashville's Hermitage Hotel.

Bronner & Alabama

By Mike Goens, *Times Daily*

"Some say he has an ego that's a bit too big. Some will tell you they don't like him because he's cocky. And there are a few who fuss because he seems to always get his way.

David Bronner, executive director of the Retirement Systems of Alabama, is one of the three most powerful people in Alabama, standing there with Gov. Bob Riley and Paul Hubbert, executive director of the Alabama Education Association. The order of the most powerful among that group is debatable, but powerful individuals have their enemies. It's not surprising that some have negative perceptions of Bronner.

There's certainly another side of the man, though, one that several people in the Shoals have gotten to know in the past five years.

He's a good, decent man who genuinely cares about people. Now, he's a hard-nosed businessman and he can intimidate some. His actions, at times, could lead to a perception that he is cocky, brash and considers himself to be better than others. Truth is, he doesn't take time to pay attention to those who don't like him. He's too busy moving on to something else to worry about his critics.

One thing that is not in dispute: He is passionate about helping Alabama. Bronner has offered a plan for making Alabama better, perhaps even get us off the we're-last-in-almost-everything list in America. The plan involves spreading some of his organization's wealth to communities in the state to help them help themselves.

By doing so, Bronner hopes to change the state's image. He wants people to realize there is hope for them to improve their lives. He won't do it all for you, but he'll do his part if you meet him halfway.

He laid out a plan to help jump-start our economy five years ago. That's when the tourism program involving the Robert Trent Jones Golf Trail and a luxury hotel was rolled out. Our community had to sacrifice through the gasoline tax to make it work and our leaders at the time had to live through constant criticism. There are still some critics who complain about the project despite its great success.

But Bronner saw our leaders at the time come together to make it work. As a result, he has fulfilled his promise of helping the Shoals whenever possible. To date, Bronner's RSA has invested more than \$500 million in our community in the past five years. So, we also can say he's a man of his word.

True, he wouldn't be doing it if he wasn't expecting to make some money for RSA along the way, but he has shown a great deal of confidence in us by investing more and more. He's doing similar things in other Alabama communities. It's all part of his plan.

The plan is not a quick fix, but to say it's not working would be insane. Alabama's image is better as a result of Bronner. Our community is certainly a testimonial to that."

RSA Invests in Wise

The RSA purchased a 25% interest in Wise Metals for \$75 million in October. Wise Alloys, a subsidiary located in Colbert County, is the third largest U.S. producer of aluminum can stock for the beverage and food industries.

Wise Alloys has current sales between \$700 million and \$800 million. The RSA investment will be used to help Wise expand its operations, purchase new equipment and expand existing mills.

ENJOY YOUR FALL

A Special Deal

FOR RSA MEMBERS

**The Battle House,
A Renaissance Hotel – Mobile – \$79**

- Nov. 3–13, 18–27, 29
- Dec. 4–9, 13–30
- Jan. 1–8, 11–14, 27–28

**The Riverview Plaza,
A Renaissance Hotel – Mobile – \$69**

- Nov. 3–6, 15–25, 30
- Dec. 8–10, 13–30
- Jan. 1–3, 7–16, 24, 27–31

Marriott Grand – Point Clear – \$79

- Nov. 4, 11–15, 20, 24–26, 30
- Dec. 1–6, 9–10, 16–30
- Jan. 1–3, 6–9, 13–14, 20–31

Marriott Shoals – Florence – \$69

- Nov. 4–6, 15–18, 24–27, 30
- Dec. 1–5, 9–10, 16–28
- Jan. 4–7, 10–13, 22–24, 27–30

**Renaissance Ross Bridge
Hoover – \$79**

- Nov. 4, 11, 15, 18–20, 25–27
- Dec. 16–31
- Jan. 1–6

Opelika Marriott – \$69

- Nov. 1, 4–5, 15–22, 25–30
- Dec. 1–3, 6, 9–14, 18–31
- Jan. 1–4, 12–21, 26–31

Prattville Marriott – \$69

- Nov. 4–5, 8, 10–12, 14, 16–18, 20–28
- Dec. 2–5, 7–9, 12, 14–31
- Jan. 1–10, 12–16, 18–24, 30–31

*Book early because the rooms are limited
at these special rates. These rates are not
applicable to groups or conventions.*

RABM, 800-228-9290

ERS Board of Control Election Results

Congratulations to Alice Thornton who was re-elected to the Active State Employee Position No. 2. Her four-year term began on October 1, 2007.

TRS Board of Control Election Information

The Teachers' Retirement System Board of Control Election ballots for the Retired Position No. 2 were mailed October 15, 2007. The ballots are due to VR Election Services on November 21, 2007. Read the candidates' bios on the RSA Web site www.rsa.state.al.us.

Steps to Safeguard Your Medicare

Governor Bob Riley announced a project in September to help fight Medicare fraud. The project was made possible by a \$75,000 grant from the Alabama Civil Justice Foundation. These funds will be used to print and distribute 100,000 Medicare Protection Toolkits for Medicare recipients around Alabama so they can protect their Medicare benefits and hold fraudulent healthcare providers accountable. Alabama's 13 Area Agency on Aging centers will distribute the toolkits. For more information, call 1-800-AGE-LINE, or download a packet from www.AlabamaAgeline.gov.



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